

Jim  
Olekisinski

## **REPORT TO THE MICHIGAN STATE SENATE SUBCOMMITTEE**

### **CONSTRUCTION TRADES IN MICHIGAN – WORKFORCE DEVELOPMENT**

**September 17, 2014**

**OBJECTIVE:** Encourage our political leaders in Lansing to invest in and support workforce development in Michigan's construction trades.

#### **A. INTRODUCTION**

First, I'd like to thank the Committee for affording CAM the opportunity to come before you today to address the issue of workforce development in the State of Michigan as it concerns the construction industry.

#### **B. CAM – THE CONSTRUCTION ASSOCIATION OF MICHIGAN**

Founded in 1885, the Construction Association of Michigan (CAM) is the oldest and largest construction association in the State of Michigan. CAM is a not-for-profit organization governed by a 12 member Board of Directors. CAM's membership is comprised of general contractors; construction managers, specialty/subcontractors; architects and engineers; equipment and material suppliers; and service firms such as accountants and attorneys. CAM membership offers access to many cost controlling and profit increasing benefits. Among these benefits are CAM's Government Affairs Committee:

#### **C. CAM – GOVERNMENT AFFAIRS COMMITTEE [GAC]**

The CAM Government Affairs and Political Action Committees are dedicated to identifying, shaping and promoting pro-business and pro-construction policies and legislation on behalf of the CAM membership and the Michigan construction industry.

To that end, the CAM GAC ExCom has identified several **construction industry-related issues/concerns**:

1. The shortage of qualified and skilled labor in both the current and future construction workforce and the need to support the effective use of existing, established training centers and programs in order to encourage young adults in their high school and college years to pursue and take advantage of the great employment opportunities that exist in the myriad of available construction trades;

2. Comprehensive Road/Transportation Funding Reform;
3. Retainage/Retention between the Owners, General Contractors and Subcontractors;
4. Reinstating CAM's access to the Michigan Intergovernmental Trade Network [MITN] for purposes of attaining all of the available information and documents posted for public sector job projects; and
5. Maintaining Michigan's current Prevailing Wage Law as is.

#### **D. CAM – CONSTRUCTION INDUSTRY ROUNDTABLES**

1. Additionally, in effort to further promote pro-business and pro-construction policies and legislation on behalf of the CAM membership and the Michigan construction industry, CAM has recently conducted **2 Construction Industry Breakfast Roundtables**. The Roundtables involve representatives of the various sectors of the construction industry (i.e., Owners, General Contractors, Subcontractors, Suppliers and Design Community) raising concerns and offering solutions in an open, give-and-take forum, in order to advance the interests of the construction industry as whole in the State of Michigan. For example:

The **1<sup>st</sup> roundtable session** conducted in March focused on **Issue Identification** (i.e., identifying the biggest challenges and concerns facing the construction industry today).

The **2<sup>nd</sup> roundtable session** conducted in June was entitled, **"Finding Common Ground."**

The **3<sup>rd</sup> Construction Industry Breakfast Roundtable**, is scheduled for Thursday, October 16, 2014, is entitled, **"Developing Courses of Action and Positive Solutions."**

Based on the input received and the issues raised, **4 principal areas of concern** have been identified. Specifically:

1. Collaboration
2. Funding
3. Contract Language
4. Workforce Development in the Construction Trades

~~In preparation for our the 3<sup>rd</sup> roundtable session, 4 separate Solutions Task Force Committee meetings based on the 4 principal areas of concern are being conducted in the next 2 weeks~~

2. Under the **Construction Trades Workforce Development**, several specific issues have been identified for review and discussion. Specifically:

- The need to attract younger people to work in the construction trades
- The need to effectively utilize existing established training centers and programs
- Promoting the construction Industry as a legitimate viable career option
- Changing Michigan's Merit Internships
- Executive Development
- Pension Withdrawal Liability

## **E. MICHIGAN'S CONSTRUCTION INDUSTRY AND YOUNG ADULTS**

More specifically, regarding the **Construction Industry** and **Young Adults** in the State of Michigan, there is a **great need** and a **great dilemma**, but there is a **very real and viable solution and opportunity** for all concerned by investing in and supporting workforce development in Michigan's construction trades:

### **1. Great Need – Construction Industry:**

At the end of this past decade's **Great Recession**, the State of Michigan lost 42% of its construction workforce from its peak of 214,900 in April of 2000 to 124,900 in July of 2013. That's a loss of 89,300 in Michigan's construction workforce [REDACTED]. Construction workers were forced to find new professions or leave Michigan for good in order to make a living and provide for their families.

Compounding the problem, the current construction workforce across most of the various construction trades is **getting older** and many have either **retired** or are nearing **retirement** age.

**Conclusion:** There are nowhere near the number of properly trained construction trades workers to: **(1)** Replace the construction workers lost during the *Great Recession* and **(2)** keep pace with the increasing number of currently employed construction trades workers retiring from the workforce. Consequently, with the serious shortage of construction trades workers both now and in the future, how are construction projects going to be completed in a timely, cost-effective and safe manner [REDACTED]

## 2. Great Dilemma – Young Adults:

Notwithstanding the fact, from an interest and learning standpoint, college is not always the best option for every young adult,

From an economic standpoint, with each passing year college is becoming more and more expensive and unaffordable for young adults and their families with annual tuition increases far exceeding the rate of inflation over the last 15 years. Today, the opportunity to earn a 4 year undergraduate degree (These days the average is more like 6-plus years) is unrealistically beyond the grasp of more and more middle class families not to mention that of lower-income families.

Young adults and their families are incurring thousands of dollars of debt to earn their undergraduate degrees [EXHIBIT 2].

And, let's be honest, unlike 30 or 40 years ago, earning only an undergraduate degree does not guarantee the graduate a good paying job upon graduation. The truth it's very competitive for the limited number of good paying jobs in today's economy. More and more, students will have to further their formal education by earning graduate level degrees or higher in order to have a fighting chance of earning a decent living that comes even close to that enjoyed by their parents, thereby necessitating young adults and their families to incur several thousands of dollars of more debt to earn their graduate degrees [EXHIBIT 2].

And, after the young adult spends 4 to 8 years of his or her life struggling to earn that undergraduate and perhaps graduate degree(s) and digging themselves a greater financial hole by incurring several thousands of dollars in tuition debt, before they've seriously entered the workforce on a full-time basis, will there be a good paying job waiting■

## 3. The Solution / Great Opportunity – A Win-Win Solution for both the Construction Industry and Young Adults:

Supporting Workforce Development in the Construction Trades in the State of Michigan provides the following industry-wide/taxpayer benefits:

1. Fills the critical need in our State for current + future construction trades workers;
2. The higher the number of construction trades workers will result in construction projects being completed in a timely, cost-effective and safe manner;
3. The higher the number of construction trades work hours increases contributions to the multi-employer insurance plans and pension plans, which stabilizes and strengthens the financial health of the plans, reduces the withdrawal liability costs of construction contractors' and protects the valuable pension and health care benefits that construction workers spend their entire career earning; and
4. Due to the many existing and established Union trades training centers, taxpayers incur no cost of young adults matriculating through an apprenticeship program.

**Moreover, a career in 1 of the several available construction trades affords young adults w/ the ability to:**

1. Access a viable career path option without spending time and \$ in an environment that is not well-suited to their interest and abilities;
2. Learn a skilled trade; attaining valuable hands-on exper., while earning a paycheck;
3. Learn a skilled trade that they can use now and build upon for the rest of their working years (30 + years);
4. Incur no financial debt during their apprenticeship;
5. Consequently, upon becoming a journeyman, starting their career with no debt, but instead, money in the bank;
6. Earn a good living for themselves and their families and thereby realize the *American Dream* like those before them.

**THANK YOU**



# The Great Recession and the Construction Workforce

## Peak vs. July 2013

Top 5 States	Peak Month/Year	Peak Total	July 2013	Total Loss	% change from peak
North Dakota	Jun 2013	32,000	31,800	-100	0%
Louisiana	May 2013	137,000	133,800	-3,200	-2%
Oklahoma	Sep 2008	76,500	70,800	-5,700	-7%
Texas	Apr 2008	679,000	615,900	-63,100	-9%
Iowa	Feb 2006	76,500	68,600	-7,900	-10%
Bottom 5 States	Peak Month/Year	Peak Total	July 2013	Total Loss	% change from peak
Idaho	Jun 2006	53,300	31,300	-22,000	-41%
Michigan	Apr 2000	214,200	124,900	-89,300	-42%
Arizona	Jun 2006	244,300	124,900	-119,400	-49%
Florida	Jun 2006	691,900	355,700	-336,200	-49%
Nevada	Jun 2006	146,400	51,700	-94,700	-65%

Jim Oleksinski

Jim Oleksinski

420,14(su)

Source: New America Education Program

## AVERAGE DEBT FOR STUDENTS EARNING ADVANCED DEGREES

The average amount of debt students are accruing after getting both an undergraduate and a graduate degree is rapidly climbing.

Degree	2004 average debt (monthly payment)	2008 average debt (monthly payment)	2012 average debt (monthly payment)
Master of Business Administration	\$41,373 (\$349)	\$44,496 (\$375)	\$42,000 (\$354)
Master of Education	\$30,726 (\$259)	\$33,910 (\$286)	\$50,879 (\$429)
Master of Science	\$34,965 (\$295)	\$41,904 (\$354)	\$50,400 (\$425)
Master of Arts	\$37,965 (\$320)	\$43,247 (\$365)	\$58,529 (\$494)
Law (LLB or JD)	\$88,634 (\$748)	\$90,052 (\$760)	\$140,616 (\$1,187)
Medicine and Health Sciences	\$123,203 (\$1,040)	\$127,132 (\$1,073)	\$161,772 (\$1,365)
All other master's degrees	\$31,650 (\$267)	\$46,085 (\$389)	\$55,489 (\$468)

Note: Figures use real 2012 dollars. Monthly payments assume 6% interest rate and 15-year repayment term. Information is limited to those who complete degrees.

Source: New America Education Program